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Agenda Item 5b

March 15, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Catholic Healthcare West/Hill Physicians/
Blue Shield of California Pilot Project Update
- II. **PROGRAM:** Health Benefits
- III. **RECOMMENDATION:** Information Only
- IV. **ANALYSIS:**

In April 2009, the CalPERS Board of Administration approved a pilot project where Blue Shield of California (BSC) partnered with Catholic Healthcare West (CHW) and Hill Physicians Medical Group (Hill) in the Sacramento region to begin the CHW/Hill pilot project. The project was originally approved for one year from January 2010 to December 2010, and was extended for another year to December 2011.

The CHW/Hill project is an integrated model of health care delivery in which health plan, hospital, and medical group incentives are aligned to drive continuous improvement in quality, service, and cost. Under this pilot, each party contributes to cost savings and is at risk for any variance from the targeted cost reduction goals. This collaborative effort implements initiatives that take the cost out of the local delivery system, rather than just shift costs to other entities.

The project's main goal was to drive continuous improvement, grow membership and deliver costs savings.

BSC will provide a presentation on the CHW/Hill pilot project, identifying key 2010 accomplishments and preliminary outcomes, and the expansion of future similar projects. Although an Accountable Care Organization (ACO) will be defined shortly by Health and Human Services, we believe the CHW/Hill model will meet the definition of an ACO.

2010 Preliminary Outcomes after Six Months

Early results show that CHW/Hill pilot project is exceeding the "best case" outcomes. For example:

- 22% reduction in inpatient readmissions;

- .48 day reduction in Average Length of Stay (ALOS) for inpatient admissions;
- 12.9% reduction in inpatient days per thousand; and,
- 46% reduction in inpatient stays per thousand of 20 or more days.

Claims data takes six months to develop due to data collection, analysis, review, and posting. The data represent claims incurred through August 2010 and paid through November 2010.

Expansion of ACOs

Due to the project's collective success in Sacramento, BSC is committed to expanding the ACO framework across the state:

- Approving funding for a new group within BSC's network management team that is solely responsible for the development of ACOs; and
- Developing a pipeline of providers interested in working with BSC in their respective regions including: providers in Northern, Central, and Southern California.

V. STRATEGIC GOALS:

This agenda item supports CalPERS Strategic Goal 12: "Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost."

VI. RESULTS/COSTS:

This is an information item only.

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